

Spring 2012

# Portland Banking and Newspapers

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## Recommended Citation

Morton, Duke. "Portland Banking and Newspapers." Department of History Capstone paper presentation at the Academic Excellence Showcase, Western Oregon University, May 31, 2012.

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HST 600  
Progressive Era  
Dr. Jensen  
2/29/12

## Beyond Banking

Oregon's opportunity to develop a financial system free of domination by outside factors and forces was ultimately lost after the crisis of 1907. Two groups which may have worked toward the development of a financial system more responsive to and more under the control of Oregon's citizens did not respond to the crisis with any structural or systemic reforms. The Grange failed to move toward a more socialized banking system and Portland's middle class was complicit in bolstering independent and private outside control of financial markets. Although the Populist movement of the 1890s had failed to overcome financial elites control of the banking system, 1907 provided the Grange with a fresh opportunity for action. Furthermore, by not advocating for financial reform, the middle class played an important role in supporting Portland's financial elite.

Two separate but related events took place in Oregon during 1907 that had repercussions and parallels in every other region of the United States. These events highlight how connected different regions of the country were through the banking system and how removed the workings of the banking system were from the citizenry. Between January 23 and February 23, 1907 Oregon's first piece of legislation regarding the regulation of banks was proposed and passed in the state legislature. Between October and December of 1907 governor Chamberlain declared a series of bank holidays which effectively halted the movement of money and credit in the state. A careful look at the details surrounding these events, the journalistic records pertaining to them, and the

larger context of economic and political environments makes clear that the banking system, which impacted most everyone's lives in varying degrees, was not only outside of any control by the citizenry but not even considered a candidate for reform. This paper will look at the role of Oregon's plutocracy, middle class, rural communities and labor movement in maintaining the financial industry's immunity to reform.

Senate Bill 103 was first read on January 23 1907, proposed by senator J.S. Coke representing Coos and Curry counties in southwestern Oregon. By February 23 it was passed and headed for the governor's signature. Why governor Chamberlain signed the bill, and agreed to the installment of the state treasurer's brother as chief and sole bank regulator is an issue of considerable contention. While the bill set parameters for the legal registration of entities conducting savings and lending activities in the state, it included no language with the intent to protect depositors or borrowers. The purpose and intent of the legislation appears to be in maintaining a record of those institutions engaged in Oregon's financial markets. The Oregon press took no notice of this undebated legislative action. Neither *The Oregonian* nor the *Portland Labor Press* has any article relating to SB 103 in its January or February editions. The seeming disinterest of either end of the political and economic spectrum in this legislation, and in matters concerning banking in general, will undergo a significant change by October.

The ways in which the financial crisis of late 1907 was portrayed to the public through various news sources tells many stories about how the crisis was perceived and how the roles of banks were understood. *The Oregonian* and *The Daily News* both featured articles concerning the events involved in the banking crisis of late 1907, yet mild variations indicate some distinct differences in how the crisis was perceived. The

*Oregonian*'s portrayal of the changes in the banking system which were occurring as the result of problems originating on the East Coast seem to take more of an explanatory tone. A description of the 'Clearing House System' and an explanation of the need to halt currency payouts is the first order of business. The October 30 issue proclaims 'Cash Is Ready For Payrolls' and 'Clearing House System Is Adopted' as headlines on its front page.<sup>1</sup> But these headlines comprise only one of eight columns and although the entire column, and part of an additional column in a latter page, is delegated to the story it comprises only a small fraction of the front page and an even smaller fraction of the entire edition. As a part of the methodology for my analysis of the emphasis, importance, and understanding of banking in relation to the social, political, and economic spheres of Portland in 1907 I want to pay strict attention to the amount and placement, as well as the content and bias, of the articles concerning the banking crisis of 1907 in Portland. What percentage of the paper, and what placement a story gets, has considerable bearing on the impact that information has on the reader. The content, volume, and bias of surrounding stories also imparts considerable effects on the reader, therefore these qualities should be examined as well in assigning meaning to an article.

By examining the readership, as well as the editorial and publishing components of a paper, we can better understand the prevailing ideas concerning banking and its relationship to the public good and government. Another daily in Portland, The Daily News, performs a similar explanatory role in portraying the crisis. Its November 4 front page includes a quarter of two columns, about one sixteenth, assigned to the crisis. The article appears off center in the lower half of the page. Under the headline 'Fiat Money In

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<sup>1</sup> "Clearing House System Is Adopted," *Oregonian* October 30, 1907, 1.

Portland' the brief article explains that governor Chamberlain has declared a 'holiday' until the new sort of cash has been printed. Once printed in amounts sufficient to handle the transactions anticipated, the new 'fiat' money would be used through Portland's Clearing House Association, and that these notes will be acceptable for payment of debts at all banks belonging to the Clearing House Association.<sup>2</sup> *The Daily News* is acting in the public's interest by explaining the system being foisted upon them. But the paper is also acting uncritically, and is in effect endorsing the system proposed by the governor, and developed by the banking interests, and in a quite natural manner concludes, "Under this system goods can be bought and sold as usual and gold and silver and paper money will not be required."<sup>3</sup>

The following day *The Daily News* displays a more prominently placed, in the top right of the front page, and larger article brining up legal questions associated with fiat money. It also calls on the reader to decide and provides a very explicit sentence from the Oregon Constitution which denies the legislative assembly or other entity the authority to issue money. Such a significant change in the tenor and content, as well as the size and placement, would make an investigation of the editorial process which brought this about an interesting proposal. The potentially alarming nature of these questions concerning legality are offset by a reassuring headline directly next to the main article, 'Gold Is Coming To Portland.' It is reported that half a million dollars in gold is coming to Portland, via the *Lusitania*, from London, to offset wheat exported by the Balfour Guthrie Company. It should arrive by November 15 and, "Will relieve the local situation

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<sup>2</sup> "Fiat Money In Portland," *The Daily News* November 4, 1907, 1.

<sup>3</sup> "Fiat Money In Portland," *The Daily News* November 4, 1907, 1.

greatly.”<sup>4</sup> By November 6 the legal issue concerning fiat money appears to have been settled with an explosion of positive headlines on the front page, ‘Credit Money Good As Gold’, ‘Fiat Money Is Held Legal’, ‘Credit Currency Is Endorsed’, and ‘Another Million In Gold For Portland’.<sup>5</sup>

By November 7 the news of the closing of a major Portland bank required explanation and *The Daily News* provided coverage in the upper right three columns of the front page. Surrounding the narrative are three boxes detailing stockholders and their shares, financial assets and liabilities, and the value of real assets as estimated by bank officials. Although posting assets of \$3,000,000 in value, mostly in loans and accounts receivable, the narrative explains that the bank had only \$9,000 in cash in its vaults. The deposits to the bank, money customers have put into the bank, amount to \$1,800,000 and include \$395,000 from the State of Oregon.

The adjoining two columns carried articles pertaining to the effect of this closing on local labor market, and reaction by the federal government to the turmoil in the nations financial system. The local labor article refers to the nonpayment for work on street improvement by a local contractor who argued that the money to pay the workers was held in the bank which had just closed. The bank in question, Title Guarantee and Trust, is the subject of the adjoining article headlined ‘Trust Company Fails’. The article titled ‘Workmen Pinched By The Failure’ explains that the men were issued time checks by contractor Harry Howard ,to be paid in sixty days, and that they would have to depend on the Title Guarantee and Trust Company for their money. The workers were somewhat reassured by a government official, “At the city hall City Attorney Kavanaugh informed

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<sup>4</sup> “Gold Is Coming To Portland,”*The Daily News* November 5, 1907, 1.

<sup>5</sup> *The Daily News* November 6, 1907,1.

the men they would get their money before Howard got his.”<sup>6</sup> The matter of getting paid would ultimately, however, fall on Title Guarantee and Trust’s ability to pay. The article highlights the close connections between government officials, workers, employers and financial institutions.

The article concerning the national government’s response to the financial crisis also highlights connections between government, employers, employees and financial institutions. It proposes that the financial crisis which is being felt throughout the nation will be addressed by president Roosevelt in his annual message to congress. Noting that congressional committees on currency and banking have been ruminating on possible financial reforms for ten years and, “It is quite generally accepted by good financiers that the American money system is illogical and crude.”<sup>7</sup>, the article prepares the reader for upcoming solutions coming from the national level.

But the anticipated solutions are not going to be of any help to those suffering at the time in Portland. The November 8 front page is dominated by two articles detailing the harms done locally to bank customers and those working in unskilled, unprotected jobs. In an article titled ‘Work Stops; City Filling’ details of declines in positions and wages for workers in construction and logging industries are presented. The specific declines in hourly wages for loggers, buckers, rigging slingers, and engineers are given, as are examples of particular company’s reductions in workforce. The result has been an influx of unemployed workers of many nationalities to Portland. The manager of a local employment agency estimates there were 10,000 idle foreigners in Portland and more

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<sup>6</sup> “Trust Company Fails,” *The Daily News* November 7, 1907,1.

<sup>7</sup> “Federal Government Considers Crisis,”*The Daily News* November 7, 1907 p1

coming, furthermore, “Mr. McCroskey believes that, as a result of the influx of idle men Portland faces a very serious situation.”<sup>8</sup>

The reader following the events over the previous few days in *The Daily News* can connect potential social problems faced by the city of Portland to the crisis in the financial system. More direct examples of the problems posed by the failure of the Title Guarantee and Trust company are included in the article titled ‘Many Suffer By The Failure’. A widow with five children had just put the proceeds from the sale of her home into the bank, another woman had just deposited her life savings in the bank. The article asks if the bank directors were aware that the bank was insolvent when they accepted these deposits, or what their explanation could possibly be. It concludes that, “...the beauty of it is that while the small depositors suffer and wait for years for what little they will get, those who are responsible for the condition will continue in prosperity.”<sup>9</sup> This article is front page center and makes clear the injustices wreaked by the institutions participating in Portland’s financial system.

The following day’s front page is awash in articles responding to and further documenting the injustices of the financial crisis. The titles include, ‘Two Officials Are Arrested’, ‘Bank Crowds Big Today’, ‘Labor On Record For A State Bank’, and ‘Worry About Securities’. The November 9 edition of *The Daily News* contains the greatest amount of coverage, and is more focused on responses to the financial crisis than any other date analyzed in this period of late October to mid November. Fully half of the front page is dedicated to articles responding to the crisis and presents for the first and only time in this period an article describing an alternative to the private banking system.

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<sup>8</sup> “Work Stops;City Filling,”*The Daily News* November 8, 1907 p1

<sup>9</sup>“Many Suffer By The Failure,” *The Daily Times* November 8, 1907 p1



The article titled 'Labor On Record For A State Bank' describes a resolution passed by the Federated Trades Council for the establishment of a bank owned and operated by the state, to be backed and secured by the property of the state, in a fashion similar to certain Canadian banks. It presents a very different vision of the relationship of the government, financial industry, and citizenry whereby, "The idea is to give the people banks actually backed by the government instead of private ones parading as such."<sup>10</sup> Such an innovative and revolutionary proposal will not grace the front page of *The Daily News* again in 1907, and the trials and tribulations of the federated Trades Council will have to be followed through another news organ.

The November 12 front page features a three column article located in the upper left corner dedicated to the closing of Merchant's National, another prominent bank in Portland. The article makes clear that this is not a failure, per se, but a temporary closing, in line with governor Chamberlain's bank holidays. The article also details the city of Portland's deposits of \$110,000 in the bank and mentions that the city has roughly \$600,000 on deposit with other Portland banks. The connections between city government and financial institutions in Portland is made clear for the reader to ponder. What should the relationship between the managers of public funds and the private financial concerns of Portland be, and what part should the citizenry take in determining this relationship? Should the dubious security of public funds be addressed, and by who? A smaller article adjacent to the Merchant's National piece discusses the federal government's investments in public works, specifically \$22,000,000 in defense spending for sea coast fortifications in Manila, Hawaii, Cuba, and California. The government's

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<sup>10</sup>"Labor On Record For A State Bank," *The Daily News* November 9, 1907

participation in the economic sphere is considerable, at the national, and presumably local level as well.

*The Daily News* front page on November 13 brings Standard Oil's power to the reader's attention. After discussing the ability of Standard Oil to wreak havoc on industries and actually create financial panics the article announces that it may be proposed in Congress to institute a central bank under the control of Standard and National City Bank. The coming congress will contemplate a financial system directed by a central bank, as in England, "And the Standard Oil bank will be the foremost candidate for nomination as the government banker."<sup>11</sup>

The final set of articles this paper will look at are on the front page of *The Daily News* for November 16, 1907. They reinforce the perception that Portland's financial system is controlled, or at least mediated, by banks on the East Coast and ultimately Europe. The articles 'See Millions in Real Gold' and 'Gold From Europe To Relieve Banks' document the arrival of gold, originating in Europe, as the resolution to Portland's financial crisis. Documenting the arrival of one million dollars in gold from San Francisco, which was part of the ten million dollars in gold which was shipped from England to New York just a few days earlier, the Daily News proclaimed, "The money certainly looked good to those whose eyes have feasted on the clearing house certificates for the last week."<sup>12</sup> The uncertainty of the clearing house certificates was going to be resolved by the arrival of the hard currency. Although the dependence of Portland's banks upon East Coast and ultimately European banks was made clear through this crisis,

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<sup>11</sup> "Standard Oil Would Run "Bank Of America" And Increase Its Power," *The Daily News* November 13, 1907, 1.

<sup>12</sup> "See Millions in Real Gold" *The Daily News* November 16, 1907, 1.

there had been little call for action to modify the structure of the system to alleviate financial domination by Eastern and European institutions.

The role and influence which bankers play in the economic environment of a community is considerable and impacts every aspect of the community's social structures. The granting of credit determines what activities will be undertaken therefore the decisions involved in determining credit allocation also determine the activity of the community. How those decisions are made, by whom they are made, and even where they are made play significant roles in their nature and outcome. The credit crisis of 1907 brought to light the far flung origins of those decisions to both rural and urban communities in Oregon. The halt in credit which occurred as a result of the bank holidays declared in the last months of 1907 had its origins in the New York banking system. A perceived shortage of funds, escalated by runs on banks, caused New York banking houses to halt the extension of credit banks in the western parts of the country. Even banks which were not technically branches of New York banks were effected as the rush to shore up funds and hoard deposits impacted every part of the nations financial system, and made clear how connected all of its parts were. Oregonians would have to decide what actions to take, or follow, in order to prevent future credit shortages. Would the relief continue to come from the East Coast and Europe, through an improved more centralized banking system? Or would Oregonians develop solutions dependent on local systems and structures? The path taken was clearly the former, and the inability or unwillingness of the Grange and Portland's middle class contributed to this.

By 1913 a centralized, top down Federal Reserve System had been approved by Congress and was being implemented across the country. Although sanctioned,

monitored, and lightly regulated by the federal government, the system was self administering and dominated by the largest New York financial concerns. Although the liquidity of credit would be managed by the large New York houses, the administration of the nations thousands of banks would continue to be in the hands of local banking communities.

The advent of branch banking would change this dynamic by making the decisionmaking process by which local banks extended credit dependent upon directives from the New York houses. Although the branch bank further centralizes the lending practices of the country it was just another step in one possible direction which had become apparent by the 1907 crisis. One way to better manage a financial system which functioned largely on the liquidity provided by New York banks was to give New York banks the ability to direct lending operations at the local level. The move to branch banking was an extension of the already sanctioned federal reserve System, but the fundamental arguments for and against branch banking apply to the issue of whether the federal government should have sanctioned the Federal Reserve System. By the 1930s the federal reserve System had been fully implemented and accepted by the nation's banking community. The very arguments made by economists against branch banking could be used against the Federal Reserve System itself, but were thoroughly buried by the proponents of the system. Even into the 1930s the decisions to move toward a more centralized banking system, which included branch banking, had to be defended against criticism coming from the periphery.

In an article written in support of Branch Banking in 1934, which makes mention of the crisis of 1907 in its introduction, economist John Kenneth Galbraith makes clear

some of the issues involved in the Branch Banking controversy. In reference to Congressional debates of the 72<sup>nd</sup> Congress concerning banking he cites, “a strong reflection of the traditional dislike for any visible centralization or integration of control of the banking system.”<sup>13</sup>

In further defense of branch Banking he finds, “Finally, some consideration should perhaps be given to what is implied in one of the most common as well as most sweeping indictments of branch banking. Reference is to the charge that branch banking contributes to the ascendancy of a “money trust” which may quite surpass the power of any form of government by virtue of the ultra-strategic position which it comes to occupy. This criticism is one which emanates, quite as much as any other, from the rural community.”<sup>14</sup>

Alluding to a historical ‘natural order’ in finance Galbraith concludes, “Further, a considerable degree of centralization has always been apparent in the real seats of financial power and such additional integration as might result from state wide branch banking might not be of great relative importance.”<sup>15</sup> Galbraith comforts that people should not fear for increased loss of control of their economic life, “Should branch banking develop in a moderate way one feels that there is little occasion for worry about increased “banker control” of economic life.”<sup>16</sup> Comments made by the preeminent American economist of the early twentieth century support the federal governments move toward centralized banking and rebuff any arguments, coming from the periphery,

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<sup>13</sup> John Kenneth Galbraith, “Branch Banking and its Bearing upon Agricultural Credit”, *Journal of farm Economics* Vol. 16 No. 2 April 1934 p219

<sup>14</sup> Galbraith 231

<sup>15</sup> Galbraith 232

<sup>16</sup> Galbraith 232

concerning the dangers of the concentration of wealth inherent to a centralized banking system.

Oregon's increased movement toward centralized banking, which was accelerated by the crisis of 1907, had encountered resistance over the previous decades. Most notably this resistance came from, as noted by Galbraith, the rural communities. Although bankers in Portland may have been developing closer relationships with New York banking interests, the banking communities of Oregon's hinterlands and periphery were less inclined to develop dependent relationships with east coast banks. Furthermore, the borrowers in these communities were consciously apprehensive about their connections to the perceived "money trusts" in the East.

The economic crises and upheaval of post Civil War America effected rural and urban Oregon as much as any other part of the country, because by that time financial, industrial, and agricultural markets had been linked through the railroads to such an extent that the price of Oregon wheat was determined through markets on the East Coast and beyond. The role which banks played in these market structures was no secret to Oregon's citizens, even if the precise mechanics were shrouded in mystery. Although it was accepted that prices were determined through a market, the role of bankers in that market was not apparent or easily determined by the majority of citizens. But it did not go unnoticed by those who made it their mission to uncover these machinations and make efforts to fight against them. For farmers who had been fighting against the harmful overpricing for shipping imposed by the railroad monopolies the banks were another predatory monopolistic institution, "In 1891 the farmers' organizations throughout the United States including a vocal Oregon contingent spoke out for the abolition of national

banks and for the free coinage of silver...”<sup>17</sup> but it wasn’t just farmers who were engaged in attempts to regulate what were perceived to be harmful, “They drew up statements and objectives in Salem in September 1889, representing the Grangers, Knights of Labor, and Prohibitionists. This group called on the prohibition of the manufacture and sale of intoxicating liquors, and a national monetary system by which a circulating medium in necessary quantity shall issue direct to the people without the intervention of banks.”<sup>18</sup> There had been a movement in Oregon during the Populist era to reform the financial system in order to make it more responsive to local interests. The role that the Grange played was significant and harked back to the Grange’s revolutionary origins, but by 1907 the Oregon Grange had become conservative in nature and did not promote any radical reforms to the financial system.

In the introduction to his book *Knights of the Plow: Oliver H. Kelly and the Origins of the Grange in Republican Ideology*, Thomas A. Woods gives a brief historiography of the Grange and its political and economic philosophy. Formed after the Civil War in order to help farmers adapt and integrate into an increasingly industrial economy, Woods describes the descriptions of the grange given by Buck, Hofstadter, and Goodwyn before presenting his thesis concerning the Republican ideology of the early grangers. Although the degree to which grangers were viewed as capitalists varied between these historians, Woods concludes that, “Grange leaders were dedicated capitalists, but they believed that individual greed and ambition had to be tempered by concern for the welfare of other

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<sup>17</sup> Thomas Jon Rykowski, *Preserving the Garden: Progressivism in Oregon* (Norman; University of Oklahoma Phd Dissertation, 1981) p40

<sup>18</sup> Portland Oregonian Sept. 27 1889 p2

members of society.”<sup>19</sup> As the capitalist system requires financial intermediaries supplying funds to ventures worthy of extracting a profit through the market the grangers were supporters of the banking system in general. In fact, although this book documents the Grange’s opposition to the abuses of monopoly industrialism, best exemplified by the railroads, it does not indicate that the early grangers challenged existing financial systems and structures. Sven Nordin’s 1974 history of the Grange has a chapter titled ‘Business Attitudes and Activities’ which describes the financial structures of local granges and how they were used to promote marketing and purchasing it makes no mention of Grange efforts to reform the financial system in America. The 1949 official Grange history, published by the National Grange in Washington D.C. includes only four short paragraphs concerning the Grange’s involvement with the banking system. It refers to the 1909 resolution by the Grange opposing legislation by the Congress to establish a central bank, and a declaration in 1929 against branch banking. Although the Grange can be shown as being against the idea of centralized banking, it never took any action to fight the increasing centralization of banking which took place after the panic of 1907. It can therefore be seen as endorsing the development of the Federal Reserve System by not actively opposing it.

As the Populist Movement, supported largely by rural and agricultural interests, waned at the end of the nineteenth century it was eclipsed largely by the more urban and industrial Progressive Movement. In his dissertation Thomas Rykowski characterizes the Progressive movement in Oregon as having a basically conservative set of goals. The maintenance of a society dominated by white Anglo-Saxon Protestant men was its

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<sup>19</sup> Thomas A. Woods, *Knights of the Plow: oliver H. Kelley and the Origins of the Grange in Republican Ideology* (Ames:Iowa State University Press, 1991) xx



ultimate goal. Its primary analysis is made up of chapters on stifling immigration and systematic and institutional discrimination and oppression of Catholics, immigrants, and the working class. The Klu Klux Klan and Asian exclusionary acts draw particular attention. But what it does not focus on are the predatory and monopolistic practices of the individuals participating in financial markets, although their victims are largely members of the oppressed groups mentioned earlier. The economic is overshadowed by the political. Social discrimination and exclusion, not financial alienation, are the focus of the study.

Kimbark McColl, writing a generation later about the social, political, and economic milieu of Portland Oregon shows clearly how the plutocracy reigned, seemingly unimpeded, in turn of the century Portland. If the plutocracy reigned it could only do so with the support of the community at large. Just how did this elite group incorporate the support of the working and middle classes of Portland, more specifically how did it maintain its hold on the financial system over the course of the panic of 1907? It is best to answer these questions by looking carefully at the middle class of Portland in 1907.

Historians of the Progressive Era have given attention to the characteristics and qualities of the people involved in what they qualify as 'progressive' activity. Who were the people with time and interest in participating in the creation of new and progressive institutions, vehicles, and organizations? How do we describe these people and what did they do? Although Hofstadter and Weibe had different answers to these questions they both discussed the group instrumental in spearheading Progressive Era changes as the middle class. Glenda Gilmore makes these distinctions clear in *Who Were the Progressives?*. In an excerpt from Hofstadter's *The Age of Reform* he puts forth his

thesis that this new sort of man, “ were Progressives not because of economic deprivations but primarily because they were victims of an upheaval in status”<sup>20</sup>

Hofstadter’s middle class progressives were trying to reestablish values from a previous era, which had been corrupted and distorted by modern industrial capitalism. In the same book Gilmore presents Wiebe’s view of the progressives as, “members of a new middle class eager to bring order to their rapidly expanding world.”<sup>21</sup>In both of these views the progressives were taking on the problems brought on by an expanding industrial society. Neither historian takes much time to analyze the middle class reaction to the growing financial component of the new economy.

Because so many of the challenges which had emerged by the turn of the century were related to the rapid growth of the cities, many historians have looked into the urban nature of the progressive movement. Robert Johnston uses a case study of Portland Oregon to examine the role of the middle class in the Progressive Era. In *The Radical Middle Class: Populist Democracy and the Question of Capitalism in Progressive Era Portland, Oregon* Johnston analyzes progressive issues such as direct democracy, the single tax, immunization, compulsory public education, and labor law reform. As he attempts to rehabilitate the middle class Johnston shows how, “the middling-class people in Progressive Era Portland used their ideas about being middle class to fight for a fully

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<sup>20</sup> Glenda Elizabeth Gilmore, *Who Were the Progressives?* (Boston: Bedford/St. Martins, 2002) 37

<sup>21</sup> Gilmore 77

democratic world.”<sup>22</sup> What this fight does not entail is a reevaluation of the structure of the financial system.

Johnston pays particular attention to the political economy and class structure of Portland in the first decades of the twentieth century. Careful analysis of the characteristics of urban life requires distinguishing distinct groups, which when organized and active can be called interest groups, within the urban environment. When members of a group had similar roles in the economy that group could be labeled as a class. Wage earners, professionals, and owners of businesses can be viewed as making up three distinct, although sometimes overlapping, classes. Because a wage earner sells their labor and does not typically have control over the terms of their employment they can be distinguished as the lower class. Because the professional and certain management level employees do have considerable responsibility and control over the details of their employment they can be distinguished as the middle class. As the owners of business concerns, the upper class has the potential to practice considerable control over the terms and details of the work performed in the business. These definitions of class are based on the relationship of the individual to the decisionmaking involved in work, and are closely related to the concept of ownership.

Although it is possible to participate in more than one of these clearly defined categories, there is more often a distinct division between the wage earner and the middle and upper classes. In fact the middle class almost always has a larger degree of ownership, or upper class, investment in a business than a wage earner. But exceptions

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<sup>22</sup> Robert D. Johnston, *The radical Middle Class; Popular Democracy and the Question of Capitalism in Progressive Era Portland, Oregon* (Princeton:Princeton University Press, 2003) 16

have existed, and in fact these exceptions may prove to hold the most progressive elements of economic structure and organization. In turn of the century Portland, however, these exceptions were far from the rule. Although wage earners nationwide were fighting for, and fitfully achieving, increased participation in the terms of their employment, their ownership interest in the concerns they toiled for was largely non-existent. Workers were generally paid for their labor, but did not participate in the division of profits. Any form of profit sharing could be viewed as progressive, if control over ones work is considered a progressive ideal.

The more common blending of classes occurred between the middle and upper levels, from the perspective of labor and ownership interests. The independent business owner often provided significant, and perhaps, as in the case of medical professionals, the majority of the labor. The role of the middle class in perpetrating the independence of the financial system is tied to their ownership interest in business.

By 1907, after a decade of increasing prosperity largely fueled by an influx of capital from eastern banks, both urban and rural middle class citizens did not show any signs of working toward banking regulation. The seemingly sudden halt of credit brought about by the excesses of a financial industry dominated by unregulated banks was explained to citizens through the popular press. Neither the urban nor rural middle class appears to have made any effort to address the causes of the crisis. The opportunity to gain significant influence over the financial system which connected Oregonians with each other and the world outside Oregon was lost. Rural interests, as represented by the

Grange, did not even consider reforming the state or national financial system. The urban middle class, themselves tied to ownership interests in Portland's economy, were concerned with a wide spectrum of political and social reforms, but not with reforming the capitalist banking system. In allowing the system to continue to regulate itself increased concentration of capital and credit led to the development of the Federal Reserve System sanctioned by Congress in 1913. Although future crises would transpire under this centralized system, it has endured and is the structure we live with today.

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